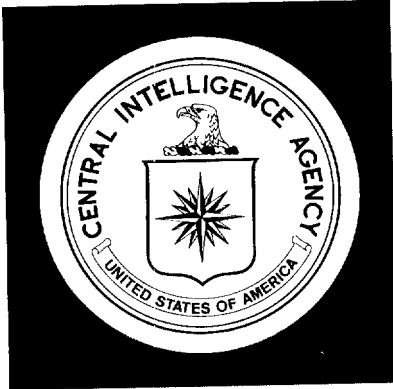


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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

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20 October 1972

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25X1 The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

WARNING

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MEXICO: REFORM RHETORIC

4- [Recent statements by key government officials point toward closer government scrutiny of the operations of private firms and possibly tighter controls for foreign capital. Many foreign and domestic businessmen, thrown off balance by this nationalistic line, will be monitoring the investment climate carefully in the coming months.]

Secretary of National Patrimony Flores de la Pena has been a vocal economic nationalist. He recently lectured a group of international business executives on the "evils" of multinational companies, saying that Mexicans want to be partners, not servants, of foreign investors. Referring to Mexico's mixed state-private economy, he said that government agencies should take a greater share of participation in joint ventures in the future. He gave no indication of what changes, if any, were being considered in the long-standing "Mexicanization" laws, which require 51-percent domestic control of foreign investments in most major industries. He did imply the government might intercede in some cases to protect private Mexican firms from being absorbed by more powerful foreign investors.]

[Other officials sent by Echeverria to speak before Congress have harped on the themes of economic nationalism and the responsibilities of the private sector. They urged an end to "economic colonialism" and "technological dependence" and exhorted foreign investors to keep a "clear sense of social justice" when setting up new industries.]

[In spite of the rhetoric, there have been voices reassuring the businessmen. Some of their doubts about how the government will treat them probably were dispelled recently by former president Miguel Aleman, now the head of the national tourist council. Aleman, speaking for the government, said the administration has not changed the "rules of the game" and still welcomes foreign capital as a partner to complement domestic investment. President Echeverria himself has said as much on other occasions.]

4- [Echeverria does not wish to turn the private sector against the government or vice versa. He wants to maintain rapid economic growth, a feat that can be accomplished only with the support of private business, both foreign and domestic. What Echeverria is trying to do that is different from past administrations is to make use of economic growth to attack the long-term problems of sharp income disparities, persistent unemployment, and serious rural underdevelopment. Echeverria wants to ensure that investment, technology, and skill are not merely a means to quick profit for domestic and foreign investors, but are used to help overcome these serious economic imbalances. To accomplish this, emphasis is being put on investment that creates new jobs, generates more exports, provides better and more up-to-date technology, or contributes significantly to rural development. In the process some firms have been nationalized partly because they were seen as not having the best interests of the country at heart. For example, the government now controls more than half of the nation's banking resources and 51 percent of the shares in the national telephone company.]

4- [It is doubtful that Echeverria will make abrupt or radical changes that would deter private investment—still the wellspring of continued economic development and, ultimately, of social progress. Most observers question whether he has the political will or perhaps even the power to take on the vested interests; he probably will back off if the complaints about his rhetoric become too loud or his as yet unspecified nationalistic policies depress business to the point where his economic objectives are jeopardized.]

4- [Nevertheless, the private sector must be aware by now that Echeverria sees himself as a "populist" president with a mandate to bring a greater degree of social justice to the country. While he will be hard pressed to reach his goals of rapid economic growth and social reform, he seems intent on doing just that. He at least is informing the private sector of his desires. That, in itself, is a start.]

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SECRET**ISRAEL: WE'LL SAY WHEN**

Israeli aircraft bombed four fedayeen bases in Lebanon and one in Syria on 15 October, in the first such military action in a month. The air strikes were not in retaliation for specific incidents; there have been none from either Lebanon or Syria since 20 September. Israeli officials have indicated that the action was taken in implementation of Israel's pledge, enunciated shortly after the Munich slayings, to mount a "continuous war" on the fedayeen. There was even a whiff of politics in the action, which

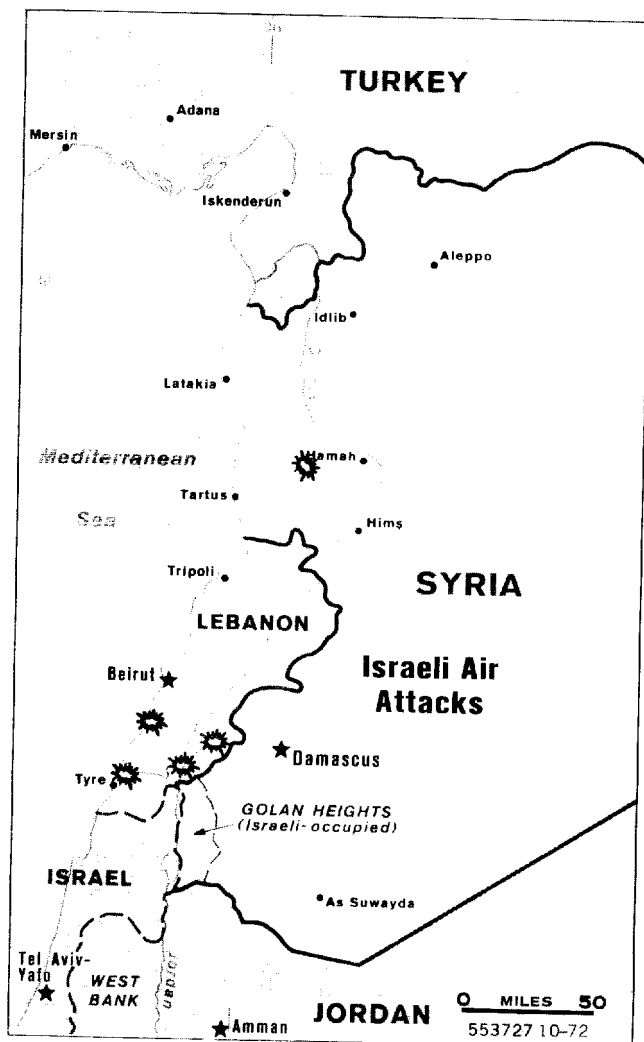
occurred just before the reopening of the Knesset and Prime Minister Meir's report on the investigation of security arrangements for Israeli athletes at the Olympic Games.

The Israelis clearly want to keep the pressure on both the fedayeen and their host governments, Beirut and Damascus, to remind them that Tel Aviv will not sit still for any renewal of fedayeen activity. Mrs. Meir declared before the Knesset that the Arab states could not "wash their hands in innocence" as long as they granted shelter, training bases, and financial and political assistance to the guerrillas. Israel, she said, would take the initiative to "root out" the terrorists, foil their designs, and stamp out their organizations; Tel Aviv could not be restricted to defensive measures alone. In an earlier statement, Mrs. Meir had declared that it was at these Lebanese and Syrian bases that terrorists planned and trained to kill Israelis, to hijack aircraft, and to prepare and dispatch booby-trapped envelopes.

The raids may not in fact further the Israeli objective of forcing their Arab neighbors to lean even more heavily on the fedayeen. Certainly in Lebanon, where there is considerable sympathy for the Palestinian cause, the raids have complicated the government's already difficult task of enforcing controls on the guerrillas.

The Lebanese Government believes that the latest bombing attacks have undercut its rationale for imposing curbs on the commandos' activities in southern Lebanon; i.e., if the fedayeen attacks stop, the Israeli reprisal will stop. Since Israel's attacks on fedayeen bases in Lebanon last month, the government has forced the guerrillas from a large area of the south and curtailed guerrilla raids into Israel in order to deny the Israelis a pretext for hitting Lebanese territory.

Critics of the policy of reining in the guerrillas are certain to point to the absence of any

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specific fedayeen provocation for the latest Israeli attacks. Groups in Lebanon that sympathize with the guerrillas can argue that Israel will carry on its post-Munich policy of pre-emptive action even if the fedayeen do not launch raids into Israel. As a result, the army's role of policing the fedayeen will probably come under heavier criticism.]

7 [Repercussions from the air strikes will be felt in the fedayeen movement itself. The fedayeen leadership has had difficulty in holding support for the agreement last month that suspends forays into Israel. Extremist dissenters no doubt will emphasize the need to avenge the Israeli attacks and will argue that the political climate in Lebanon is now right for a resumption of cross-border operations.]

7 [It is unlikely that considerations such as these will deter the Israelis. Some Israeli military officers are convinced that the Lebanese Army, if it chose, could eradicate the fedayeen movement in Lebanon, much as King Husayn did in Jordan. All the Lebanese need, it is reasoned, is to be shown they have no alternative.]

INDIA: A TIME OF DISCONTENT

9 [A lack of evident economic improvement underlies the growing frustration across India. The current wave of restiveness springs from disappointment that economic conditions have not materially improved, in spite of Prime Minister Gandhi's campaign oratory this year and last promising rapid progress toward a better life for all Indians.]

9 [A disappointing summer monsoon has brought prospective foodgrain shortages and sharply rising prices. Furthermore, the euphoria resulting from the military victory over Pakistan ten months ago has dissipated, leaving the public

once again to face the harsh reality that India's chronic socio-economic problems—large-scale unemployment, industrial stagnation, student and labor unrest, and corruption in government—are not being solved and possibly are worsening. These problems assume greater dimensions today because the government itself had heightened expectations. So far, the rural areas are relatively quiet, but unrest, with sporadic outbursts of violence, is on the rise in urban centers. Students are particularly quick to take to the streets.]

9 [New Delhi's inability to make headway on the economic front affects political developments. Three years of cohesiveness within the Ruling Congress Party have ended, and factions based on ideological and personality differences are making themselves felt. Party elections later this fall probably will encourage additional fractioning. Meanwhile, the opposition parties—overwhelmed by the Ruling Congress Party in the 1971 and 1972 elections—are attempting to exploit the discontent in hopes of regaining popular support. The pro-Moscow Communist Party of India, which has heretofore clung closely to the Ruling Congress and Mrs. Gandhi, is now a leading critic both of New Delhi's slow pace on economic problems and of its handling of politically sensitive issues such as land reform.]

10 [Mrs. Gandhi's image may be tarnished by her unfulfilled promises, but her political power in India is undisputed. She still controls parliament, as well as 17 of the 21 states, nonetheless, Mrs. Gandhi is least proficient in the realm of economic affairs where India's fundamental problems rest. While she is still largely exempt from personal attack, she appears concerned about the political dangers that could lie ahead. The government's current campaign of blaming foreign influence, in general and the CIA in particular, for meddling in and aggravating India's problems, is in part a ploy to divert public attention from the difficulties at hand. Mrs. Gandhi is entering a crucial period, however, in which public demands for economic and social reform are likely to mount and diversionary tactics may no longer suffice.]

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SOUTH KOREA: PAK STAYS ON

[The declaration of martial law in South Korea on 17 October sets the stage for President Pak Chong-hui to prolong his rule. In an unprecedented move, the President called for amendments to the constitution and the suspension of all political activity. He promised a return to constitutional government before the end of the year, if he can get a national referendum to approve constitutional amendments that include changing the ground rules for electing the president.]

[For some time, Pak has been contemplating ways to extend his term of office beyond 1975, the limit set by the present constitution. His decision to move now may reflect an attempt to forestall partisan maneuvering. He confronted this problem in 1969, prior to the constitutional referendum that permitted him to run for a third term in 1971. The President, moreover, appears to be convinced that he needs a popular reaffirmation of his leadership as well as increased authority in order to bargain effectively with the North Koreans in the sensitive negotiations ahead. Pak's action underscores his determination to protect Korean interests at a time when he believes the great powers are less disposed to take these into account—a theme prominent in his proclamation.]

[Pak is doubtless confident that there will be little domestic opposition to this move because the nation is already tightly in his grip as a result of last December's emergency measures. First reports from Seoul bear out this view. Although troops and tanks moved into the city in the wake of the announcement, there has been little change in the pattern of South Korean life. South Koreans are, after all, used to authoritarian government. To ensure this acquiescence continues, the universities have been closed, censorship increased, and foreign travel restricted. Military courts have been established throughout the country to treat infractions of the new order. No extensive arrests or repressive actions have been reported, and the government has already begun to lift some of the restrictions.]

[Having in mind recent events in neighboring countries, particularly the Philippines, Pak probably calculated that South Korea's international standing and its relations with the US would not be seriously impaired by the new measures. He calculated further that Seoul had no major international objectives that would be jeopardized by the declaration after the contentious Korean issue in the UN had been sidetracked. Pak has put off his state visit to Japan, scheduled for next month, but the South Koreans have been quick to indicate that they are anxious to proceed with the North-South Red Cross meeting scheduled for 24 October and seem to have Pyongyang's agreement.]

[The President's action will diminish whatever hopes the North Koreans have had that the talks might induce Seoul to lower its guard. The North Korean response has been unusually mild, possibly because Seoul took the precaution of giving Pyongyang advance warning through the Red Cross talks channel. Pyongyang has thus far avoided the type of high-level critical commentary that followed close on the heels of Seoul's emergency declaration last year and has yet to castigate President Pak by name. Rather, the North Koreans appear content to condemn Seoul for violating the agreement of 4 July to work toward national unification. At this juncture the North Koreans apparently see no advantage in jeopardizing the dialogue with the South by an excessively negative reaction. Pyongyang may even be hopeful that the public response in the South will be severe enough to weaken Pak's over-all position and undercut his ability to manipulate the talks.]



President Pak

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INDOCHINA

VIETNAM

Toward Phase II

17 37 Enemy forces in South Vietnam are getting ready for another major phase of offensive activity, possibly within the next few days. In the Saigon area, where preparations appear well along, enemy main force units have been edging closer to the capital. The government has recaptured several hamlets along a 25-mile stretch of Route 13 between Saigon and Lai Khe, but the Communists are still able to conduct hit-and-run raids almost as they please in the area.]

2 2 A renewed Communist campaign clearly is not likely to be of the magnitude seen during the early weeks of the enemy effort last spring.]

2 2 [] a primary objective of the campaign, to be carried out during October and November, is the destruction of the government's territorial forces and of government control in areas close to Saigon. As Communist military forces gain ground, local cadre are to solidify political control and step up recruitment into Communist ranks. The overall objective of this increased activity [] is to give the Communists a credible claim to the area, should a cease-fire be declared.)

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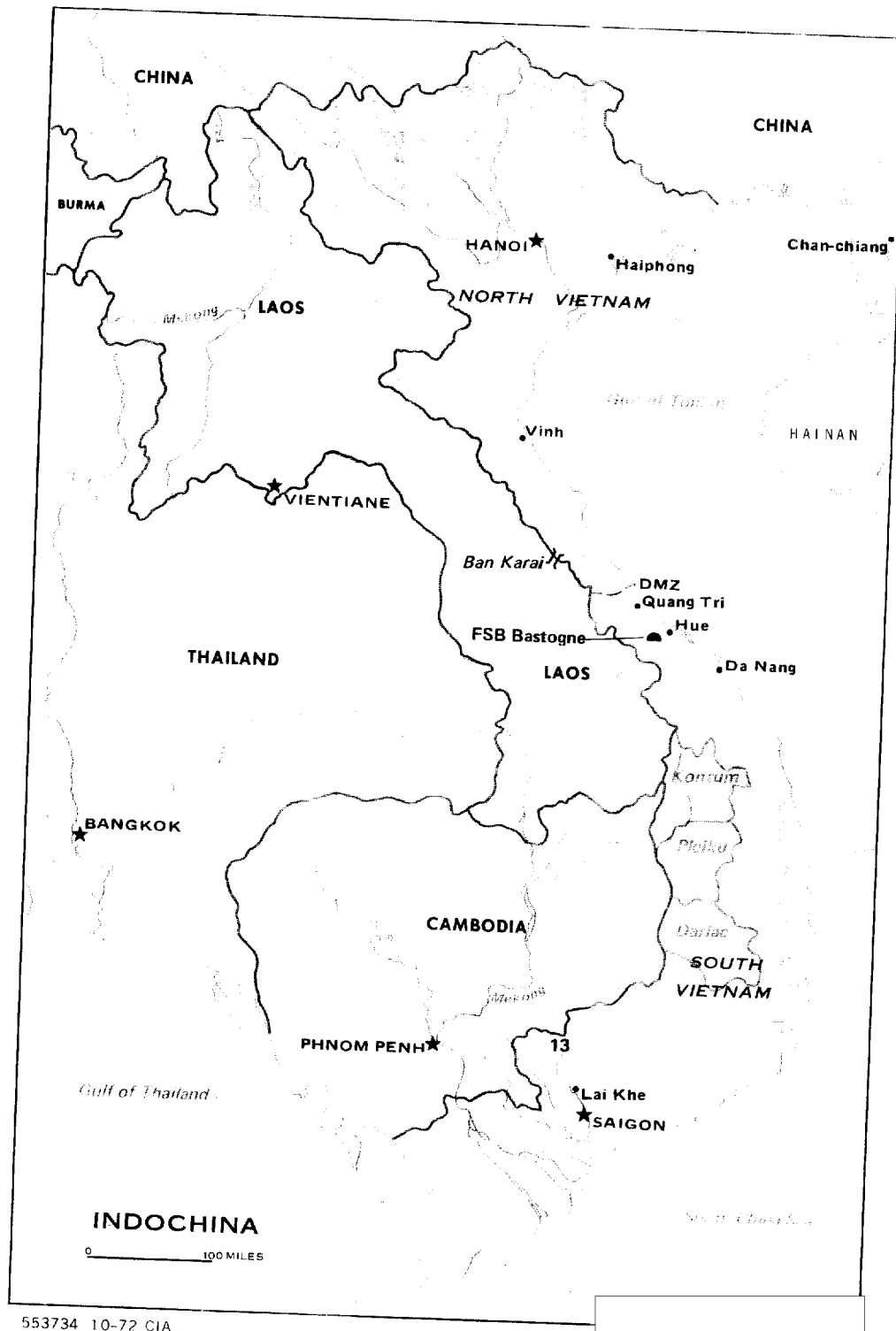
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Air Support on Route 13

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24 Similar efforts to strengthen the Communist political position in the countryside apparently have been planned for other areas. For example, local force units in a Viet Cong subregion north-west of the capital have been ordered to seize and hold as many villages "as possible" in late October and early November in an effort to provoke the kind of harsh government reaction that could make the villagers more receptive to Communist control and political direction. In the central highland provinces of Kontum and Pleiku the bulk of enemy effort is against lightly defended villages and hamlets. A recent Viet Cong rallier from nearby Darlac Province says that the seizure of villages and hamlets is an "important component" of the current campaign.]

The Northern Front

26 In recent days, South Vietnamese paratroops southwest of Quang Tri City have been encountering sharper enemy resistance to their campaign to recapture strongpoints overrun during the early days of the Communist offensive. Fighting has also increased near Fire Support Base Bastogne,

west of Hue, as South Vietnamese regulars work to push the enemy out of artillery range of the city. Both areas serve as important supply and troop assembly points for the Communists.]

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28 [Redacted] Communist rocket barrages and sapper attacks against Da Nang are set to go and that some of the rockets have been in place since early October.]

Saigon Politicians Look to a Cease-fire

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31 [Opposition forces in the National Assembly are discussing political initiatives with an eye toward the possibility of a cease-fire.]

[Redacted] leaders of all opposition groups met earlier this month and agreed to co-operate more closely within the Assembly and to try to set up an organization to extend their influence beyond the legislature. Motivating the legislators is a concern that neither the Thieu government nor a fragmented opposition could survive a political struggle with the Communists after a cease-fire.]

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South Vietnamese Forces on Route 13



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25X1 [Despite the new impetus toward cooperation, the opposition in the Assembly apparently is not of one mind on how to act if a cease-fire is reached.]

while the Buddhist senators are participating in the discussions mentioned above, most of them believe there would be unrest and instability if Thieu were forced to resign as part of a cease-fire agreement. The Buddhists doubt that Senate Chairman Huyen could effectively administer South Vietnam as head of an interim government, even for a short time, and have indicated that they might rather back a bid by Thieu to remain in power after a cease-fire.]

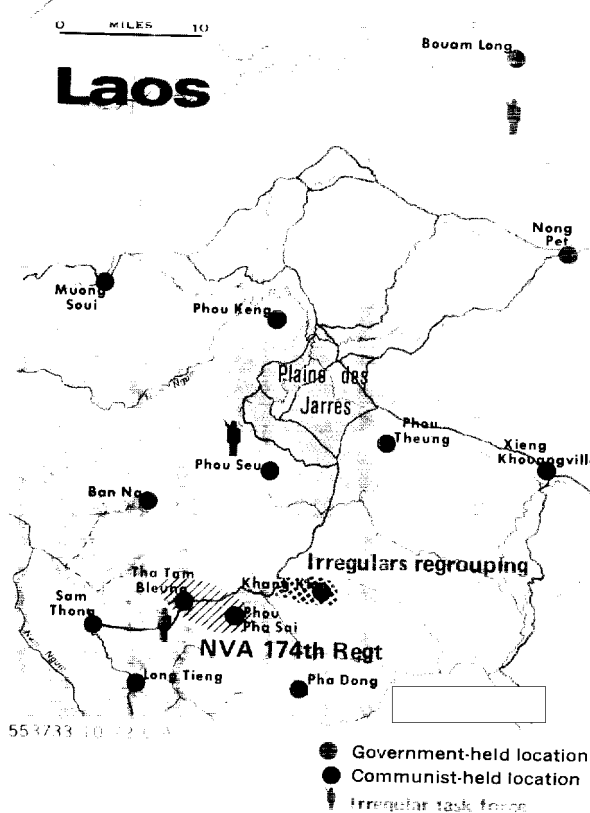
The activities and plans of the opposition legislators are similar to those of several other groups looking for ways to develop a stronger political position in anticipation of a cease-fire. Such activities are taking on a new sense of urgency, and some of the politicians involved seem to be making a more serious effort than in the past to forge political coalitions. Most previous attempts at unity by South Vietnamese political factions have collapsed as a result of internal rivalries, and it is still highly doubtful that the various opposition leaders can overcome the existing divisions to forge effective new political alliances.]

LAOS: PEACE TALKS START

[The Communists provided their most forthcoming plan for ending the Lao conflict at the first session of peace talks in Vientiane on 17 October. Chief Communist negotiator Phoune Sipraseuth discussed in considerable detail the political mechanics of the Communist Five Point Peace Proposals of March 1970. He indicated clearly—for the first time—that the Communists and their neutralist allies expect equal representation with the government side in a "Provisional Government of National Coalition," which should be set up "in the immediate future." Phoune also called for the creation of a broadly based "Council" to prepare elections for a new national assembly and the establishment of a permanent "Government of National Union." This scenario runs parallel to Viet Cong demands for a greater share

of political power in South Vietnam and probably represents the current Communist estimate of how best to achieve that objective in both countries.]

[Phoune repeated Communist demands that as a precondition to a settlement the US must stop the bombing and end all other forms of military involvement. He added that a bombing halt must be accompanied by a simultaneous "cease-fire in place." In contrast to previous Communist statements, however, these demands are not set as preconditions for working out agreements on other matters. Again in keeping with the Vietnamese Communist approach, the statement also held out the possibility of an exchange of prisoners of war "of all nationalities." The Lao Communists have, in the past, acknowledged that they hold some US prisoners.]



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[The high rank and experience of the Lao Communist negotiating team, and its businesslike attitude, suggests a serious intent to move the talks forward. The apparent flexibility on the timing of a bombing halt and a cease-fire indicates that they will be content to focus for now on political questions, which are less intractable. Even though they have raised some provisions the government will find hard to accept, their latest proposals seem to allow room for discussion.]

[The Communists may see several advantages in trying to negotiate seriously. They have thus far repelled the government's military efforts to regain lost territory. If Souvanna should subsequently reject their negotiating demands and the talks collapse, they can readily pick up the pace of the war. If on the other hand some progress is made on political matters, the Communists may believe it will be harder for Souvanna to resist calling for a bombing halt. Souvanna's present position is that any bombing halt must be accompanied by a supervised withdrawal of North Vietnamese forces in Laos—a key issue ignored in the Communist presentation.]

Still Trying Up North

In the two months since the government launched its campaign to regain lost ground in northern Laos, Vang Pao's irregulars have approached the Plaine des Jarres from the north, west, and the south only to be driven back by the North Vietnamese. Even though the morale of many of the irregulars is low, Vang Pao apparently still hopes that he can take some vital high ground on the Plaine's periphery before the start of the dry season.

Right now Vang Pao is concentrating on regrouping the task force that retreated from the southern tip of the Plaine following heavy Communist assaults late last week. He has sent a fresh battalion to reinforce these troops, who are consolidating positions in the hills just south of the Plaine. These positions block the Communist supply line supporting the North Vietnamese 174th Regiment, which has been entrenched east of Sam Thong for the past five months. If the government troops can sustain the blockade, the

174th may soon be forced to abandon its positions.

Vang Pao's other three task forces continue to have little impact. Elements from one task force early this week attacked the 174th's defenses, but turned back when they began to encounter resistance. The task force from Bouam Long, north of the Plaine, and the task force located west of the Plaine are marking time. The morale of these troops remains poor and their lack of aggressiveness has allowed the North Vietnamese to make preparations to move against government troops south of the Plaine.

New Action in the South

Undaunted by Vang Pao's lack of success in the north, the government has launched a major new military initiative in the south. On 19 October, irregular troops were being moved by helicopter into positions just southwest of the town of Saravane, which has been under Communist control since late last year. At last report, the irregular airlift was continuing despite heavy enemy ground and anti-aircraft fire. If the irregulars are able to retake Saravane, they probably will then sweep south toward the Bolovens to try to regain as much ground as possible on the strategic plateau. The Communists can be expected to use all three regiments of their 968th Division to offer strong opposition to the operation, which poses a threat to their logistics system in the south.

CAMBODIA: ANOTHER GOVERNMENT

[After considerable talk and delay, President Lon Nol has a new government—but not the "government of national union" he had apparently aimed for. Almost all of the 16 cabinet positions announced on 15 October were filled by members of the pro-government Socio-Republican Party. None went to Sirik Matak's Republican Party, which was left out after Matak's demands that he and his party be given some significant authority in the new administration before they would agree to participate were rejected. The Republicans were later offered two lesser cabinet portfolios, but the offer was summarily turned down.]

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Various members of the Democratic Party and their former leader, In Tam, had made it known earlier that they would not accept any positions in the new government. With opposition elements consigned to the sidelines, the prospects for political unity do not now appear particularly promising.

The new cabinet is not likely to be any more effective in dealing with the country's myriad problems than its predecessors were. It consists chiefly of technicians carried over from the previous cabinet plus a few new and minor faces. The new first minister, Hang Thun Hak, is an opportunistic but fairly indecisive politician. Beyond him, the more important appointments include the retention of the able Long Boret as foreign minister and the shifting of the well-regarded former interior minister, General Thappana Nginn, to the Defense Ministry. The new minister of interior is General Sar Hor, who gained a reputation for incompetency in his former position as commander of Military Region IV. He will have the dubious assistance of Colonel Lon Non, the president's unpopular younger brother, who is to be a "special minister" with responsibility for pacification programs. This is the first time that Lon Non has held cabinet rank.

PHILIPPINE ECONOMIC PROSPECTS

The recent declaration of martial law does little to improve the prospects for President Marcos' economic policies. Recent government decrees may smooth the way for much needed reforms by reducing bureaucratic inefficiency and corruption, but the reforms do not get at the root causes of the nation's economic problems and will not revive its sluggish economy.

Foreign business interests operating in the Philippines remain fearful of their long-term

chances despite assurances by Marcos that under his regime their investments are secure and welcome. US investors have been told that the status of their investments will be decided by the Supreme Court, and it is commonly believed that the President controls the court. If the economy is to be revived, Marcos must entice foreign investors to provide funds for new export-oriented industries and reduce the prevalent nationalistic sentiment that opposes foreign capital.

Martial law did at least delay potential labor problems by prohibiting strikes. Moreover, the arrest of several union leaders may reduce possible labor agitation. Although these measures probably were welcomed by employers previously affected by labor problems, the measures are merely a temporary expedient. Marcos' actions further alienated labor interests, and the President will find it very difficult to gain their support unless the benefits of an economic upturn are shared by long-suffering urban workers.

The small farmers who constitute the bulk of the population are seriously in need of assistance. The government has announced a broad-based land reform program, but has not yet revealed the details. Past land reform measures have been opposed both by large landowners and by farmers tilling the land. The latter group depends on the traditional system that provides small-scale farmers with some measure of security including crop financing. Martial law may help break the landowners' resistance, but farmers will continue to resist unless some alternative source of funds heretofore provided by the landlords is established. The regime possesses neither the administrative machinery nor the funds necessary to undertake a major land reform. Active pursuit of such an effort at this time could produce disorder in the rural sector and reduce agricultural production.

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USSR-EGYPT: STILL AT ARMS LENGTH

46 [Egyptian Premier Sidqi's trip to the Soviet Union brought no dramatic thaw in relations between Cairo and Moscow, but apparently was warm enough to generate higher level contacts.]

46 [Sidqi departed for his two-day visit on 16 October amidst a flurry of media speculation about the strains between Egypt and the USSR. The composition of the Egyptian delegation gave some indication of the range of problems to be discussed; it included an important political figure in Sidqi, the Egyptian minister of economy and foreign trade, the minister of the interior, the chief of General Intelligence, and the deputy war minister. Soviet participants in the discussions included Premier Kosygin, President Podgorny, and Defense Minister Grechko, but not party leader Brezhnev.]

45 [Press releases from Moscow indicated that the exchanges were "friendly," but, during banquet speeches on 16 October, hints of continued hard feelings were evident. Unmistakable signs of disagreement were sounded in the final communique issued after Sidqi's departure on 18 October. The meetings were described as having been conducted in an atmosphere of "frankness and mutual understanding." Moscow expressed its support for the liberation of the occupied Arab territory "by diverse means in accordance with the provisions of the charter of the UN." This is a weaker formulation than was used following Sidqi's visit to Moscow in July, when "all" means were approved. Perhaps in deference to Moscow, the Egyptian-Soviet Treaty of Friendship and Cooperation was described as the basis for further cooperation "in every field." The Soviets, however, gave no indication that they were prepared to modify their policy of restraint in the supply of offensive weapons to Egypt.]

46 [Sufficient harmony of interests was reached, however, to call for further higher level meetings. The communique confirmed that agreement had been reached on continued contacts between the leaders of the two countries and on "exchanges of opinion on the issues of interest to both sides." It also announced that Brezhnev, Podgorny, and

Kosygin had accepted Sadat's invitation to visit Egypt at a date to be agreed on later.]

46 [Both Egypt and the Soviet Union have an interest in preventing a further deterioration in their relationship. In addition to broader considerations, Moscow values the naval facilities Cairo provides, and the Egyptians sorely need Soviet military support. A complete resolution of the differences between the two countries will be slow in coming.]

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USSR-JAPAN: WAITING TO TALK

For the Soviets, the main goal in their talks with Japanese Foreign Minister Ohira, who visits Moscow between 21 and 24 October, will be progress in arranging early negotiations on a peace treaty between the two countries. Moscow has long pressed for such a treaty, and as recently as last week party chief Brezhnev wrote to Prime Minister Tanaka asking that talks get under way. The recent improvement in Sino-Japanese relations has given Moscow added incentive, but probably also strengthened Toyko's bargaining position.

The Soviets are painfully aware that relations with Japan will not improve significantly until the Japanese receive some satisfaction on the claim to the Northern Territories, a group of small islands north of Japan seized by the USSR at the end of World War II. This issue seems bound to dominate any talks on a peace treaty, however much the Soviets press for a wider discussion of bilateral ties. There have been numerous indications over the past several months that the Soviets have been considering various compromise proposals. The main question at present is not whether there is give in the Soviet position, but how far Moscow is prepared to bend. Ohira's imminent visit has probably already prompted the Soviet leaders to take yet another look at the issue and to weigh the question of how far to go.

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The Soviets showed little willingness to compromise on the Northern Territories until last January when Foreign Minister Gromyko, during a visit to Tokyo, told his hosts that Moscow would be willing to discuss the status of the islands during talks on a peace treaty. The Japanese thereupon agreed to begin negotiations, and talks were to get under way in September.

Further Soviet attempts to get the peace treaty talks going were unsuccessful. At a press conference on 30 September, following his visit to Peking, Tanaka delineated Japan's priorities with a bluntness that the Soviets must have found particularly annoying. Asked about talks with the



Foreign Minister Ohira

Soviets, Tanaka said, "I am now very busy with the Japan-China issue." He went on to cite a Japanese proverb that he who runs after two hares will catch neither. Tanaka stressed that return of all the Northern Territories was the key point in negotiations with the USSR.

With increasing frequency and forcefulness, the Soviets are hearing the same thing from other Japanese officials. A delegation of Japanese parliamentarians apparently took a hard line on the need of the return of the islands, during a visit to the USSR last month. They argued their brief with such persistence that *Pravda* editor Zamyatin complained their demands ran counter to an understanding, reached during Gromyko's January visit, about peace treaty talks without any preconditions.

Ohira will very likely continue this tough stand, insisting that some further sign of Soviet willingness eventually to return the islands must precede the peace treaty talks. A deep-seated distrust of Soviet intentions pervades high-level Japanese thinking, and the government is determined not to commit its prestige to formal negotiations without prior assurance that significant progress can be made. Tanaka feels no domestic political pressure to soften the Japanese stand on the Northern Territories in return for early conclusion of a peace treaty. In fact, all opposition parties support a complete return of the islands. All of this does not mean that a compromise agreement on the Northern Territories is out of the question.

Moscow's decision will not be an easy one. Although the Soviets feel a need to court Japan, the Northern Territories issue is particularly sensitive. The Soviet leaders realize that the Chinese—with irredentist claims of their own—are urging the Japanese on from the sidelines. This sentiment may well have been behind an *Izvestia* commentator article last week which took a swipe at "some Japanese politicians" as well as the Chinese leadership for trying to revise national boundaries.

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SECRET**EAST GERMANY: ADMINISTRATIVE TUNE-UP**

~~4~~ The regime made a major move to improve the efficiency of state administration on 16 October, when the parliament passed a law increasing the power of the Council of Ministers and redefining its relation to other state organs.

The primary target is economic planning. Honecker warned last January that he intended to stop unsystematic economic development and to reorder East Germany's long-range investment priorities. The elimination of production deficiencies and planning experiments left over from the Ulbricht era has been one of Honecker's priority goals. Honecker, preoccupied with foreign affairs, has moved slowly in this matter.

Premier Stoph reiterated to parliament the need to return to central controls and appeared confident that the new law would accomplish this purpose. In addition to clarifying individual ministerial responsibilities, he claimed, the law provides for greater coordination between central organs and local agencies. In an effort to improve planning coordination between ministries, the law emphasizes their collective responsibilities and accountability to parliament. Stoph added that the new procedures will also apply to non-economic spheres, such as education and culture.

[redacted] the commission to revise the East German party's program and statutes, established last July, is well along in drafting a new program. It will allegedly drop existing references to the future of the German nation, which have become incompatible with Honecker's objective of reinforcing the separateness of the two Germanies as a new relationship evolves with Bonn. The program will also set the stage for similar adjustments in the East German constitution. [redacted]

Honecker may hold an extraordinary party congress next year to ratify his policies.

While Honecker is no doubt anxious to strengthen his position in both party and government, sweeping personnel changes are not his style. Honecker has stressed continuity of leader-

ship ever since he succeeded Ulbricht, and he will probably proceed at a deliberate pace. Nevertheless, a number of aging men in the hierarchy, some of whom are unresponsive to Honecker's lead, could be put to pasture. [redacted]

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The Netherlands**IN SEARCH OF A COALITION**

8 [Parliamentary elections are less than six weeks away, and, should the widely anticipated turn to the left materialize on 29 November, significant departures from recent Dutch policies could pose problems for the Atlantic alliance.]

8 [Two factors contribute to the character of the present campaign: the fragmentation of the Dutch body politic—15 parties are represented in parliament—and a consequent reluctance of the parties to foreclose options by forming pre-election alliances. Thus, the Catholic People's Party, the largest in the governing center-right coalition, recently made overtures to the opposition Labor Party, but refused to meet Labor's demand that it break immediately with the Biesheuvel government.]

8 [For its part, the Labor Party, more confident of its prospects in November, is not anxious to grant premature concessions to the political center represented by the Catholic People's Party. On the contrary, at its recent party congress, Labor adopted a decidedly radical platform calling for revision of the NATO charter, reduced defense spending, and increased use of Dutch money for development abroad. A more extreme program advanced by new left ideologues, who otherwise dominated the congress, was narrowly turned aside by pragmatic party leaders anxious to avert a break with their less radical ally, Democrats '66.]

8 [Realistic politicians of all stripes realize that no faction—left, center, or right—is likely to win enough votes to govern unaided, although most expect the political center of gravity to shift somewhat to the left. Despite the latest rebuff of the Catholics by Labor, a so-called Roman-Red coalition remains a distinct possibility. Other combinations still in the running include a left-wing minority coalition or a reconstituted five-party center-right administration. Given the splintered condition of the Dutch political system, none of the foreseeable possibilities is likely to produce a strong, stable administration capable of combating the country's serious economic and social problems.]

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YUGOSLAVIA: AND NOW THE SERBS

Tito, dissatisfied with the slow implementation of his purge orders, has personally attacked a key center of opposition to them, the party leadership of the Serbian republic. As a result, a struggle looms between supporters of party boss Nikezic and Serbian conservatives eager to support Tito's call for Nikezic's ouster. Tito will ultimately prevail, but only after unleashing factional turmoil in the largest regional party organization.



Nikezic

The principal issue in the struggle is Tito's insistence on bringing the regional party organizations to heel. He insists that the party become more compact and centralized so it can control events after his death. Nikezic has boldly opposed proposals to recentralize authority in Belgrade, basing his stand on the statutes of the party congress in 1969. These stipulate that regional parties are "independent organizations in the united League of Communists of Yugoslavia." Animosity between Tito and Nikezic dates from early January, when the Serb leader unsuccessfully opposed changes in the party structure demanded by Tito.

Tito's assault on Nikezic also has a more immediate cause. In a speech to top Serbian of-

ficials last week, Tito accused the republic leadership of "interfering" with his party-wide purge and of allowing factional activity, even complaints about his arbitrary methods. Tito charged that the Serbian leaders were taking an independent course and asked the Serbian central committee to remove these leaders.

Tito also tacitly admitted that most spokesmen at the meeting disagreed with his assessment of the situation in Serbia. Such disagreement with Tito is highly unusual and suggests that Nikezic and company feel strong enough to force a thorough discussion of the issues. Nikezic has supporters in most of the top posts in the republic, but it is by no means certain that they will stand firm in the face of Tito's blunt demands.

Tito appears to be in no mood to tolerate a stalemate in Serbia. He has the authority and the will to use it. He is backed by the military and police organs. Unlike his relatively easy purge of the Croat party leaders last December, however, Tito's drive against Nikezic has no dramatic peg, like the Zagreb students' strike, to justify the use of force. He is proceeding cautiously at present, mainly relying on the sheer weight of his prestige, but he should be able to carry the day.

A purge in Serbia would have serious long-range implications. If a more conservative leadership comes to power, smaller nationality groups throughout the federation will be alarmed because of a perceived Serbian tendency to mix political orthodoxy with chauvinism. Furthermore, if supporters of party decentralization are defeated, it will bring into question the viability of the decentralized state apparatus, which evolved from constitutional reforms last year. The system was created to ensure a smooth succession to Tito, and many Yugoslavs must now be puzzled by the contradiction between centralization of the party and decentralization of the state.

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EC: MEDITERRANEAN POLICY (60-75)

Although not a major issue at the two-day summit of the EC Nine which ends in Paris today, the Community's relations with the states surrounding the Mediterranean basin promise to become a contentious issue both within the EC and the international community. Responding to an EC Council request for guidelines to establish some consistency among the widely varying existing and pending EC agreements with Mediterranean countries, the Commission recently proposed an overall—or "global"—approach to Mediterranean policy.

The Commission proposes that the EC establish separate free trade areas with individual Mediterranean countries. Like the arrangement recently negotiated with Portugal, the free trade agreements would provide that tariff elimination for industrial products take place in stages in order to permit gradual adjustment by non-competitive manufacturers on both sides. Trading concessions by the Community are recommended on at least 80 percent of the agricultural exports of the Mediterranean countries. In addition, economic, technical, financial, and employment aid would be offered. The Commission's suggested timetable—almost surely too ambitious—is for the agreements, but not the final tariff reductions, to become effective on 1 January 1974.

The proposals are immediately relevant to the enlargement of the Community. Existing agreements must be revised because enlargement will begin to put some of the Mediterranean countries' most important customers behind EC customs barriers by 1 January 1973. Moreover, the EC hopes that the politically sensitive arrangements to be renegotiated with Spain and Israel can be better handled in the context of overall Community policy. Beyond these immediate considerations, however, the Commission's proposals—along with others which look toward a common policy to assure energy supplies—reflect a widespread desire to reaffirm Europe's political and strategic interest in the Mediterranean.

The Six have already responded favorably in principle to the proposals and a second Council session, probably preceded by consultations with the three candidate members, will be held on 6-7 November. It is clear that considerable time will be required before agreement can be reached on overall guidelines, and especially on the scope of agricultural concessions to be offered the Mediterranean competitors of Italy and France.

The EC will also have to take account of the strongly adverse reaction which its proposed Mediterranean agreements have provoked in Washington. The US objects to the privileged access Mediterranean citrus producers would have in the EC market and, even more vehemently, to the so-called "reverse preferences"—that is the preferential access the agreements would provide for Community exports to the Mediterranean. Reverse preferences are defended by the EC as appropriate concessions to be asked of a country such as Spain which ultimately seeks full Community membership or as a quid pro quo for the benefits the Mediterranean countries will receive. Even those within the EC who have reservations about such concessions maintain that their exporters will insist on "compensation" for the increased competition they will encounter from the Mediterranean associates.

Although the recent US demarches protesting aspects of the proposed Mediterranean policy do not seem to have had a profound effect on the EC, they may nevertheless serve to reinforce natural tendencies among the member states to make as few concessions as possible—particularly on agriculture. Going into the Paris summit, the Nine seemed uncertain whether they would be content with a general reference in the communique to the importance of EC-Mediterranean relations or would—against US hopes—allude to the prospect of preferential trade as a means of strengthening such ties.

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THE YEMENS: ON AGAIN, OFF AGAIN

¶ Ten days of effort by an Arab League mediation committee appears to have reduced the likelihood, at least for the moment, of an all-out war between the two Yemens. On 13 October, Sana and Aden announced their willingness to adhere to a cease-fire. Violations took place immediately, but the war which seemed very close last week began to look less so when military representatives of the two countries conferred on 15 October about a pullback of troops from the border. The Arab League mediators also announced that the two governments had agreed to meet in Cairo on 21 October for wide-ranging talks.

¶ The Cairo agenda is a composite list of the demands that Sana and Aden have been exchanging for several years. Neither side is in a position to make major concessions, and a political solution to their differences seems remote. Arab spokesmen who waxed optimistic over the cease-fire prospects tended to overlook the existence of the National Unity Front, the anti-Adeni organization which had a hand in igniting the fighting of the last month. The front was neither a party to the agreement nor among those invited to Cairo.

¶ It is difficult to determine what is going on in the remote border areas, but it does appear that the cease-fire was violated almost immediately after it was announced. Fighting involving regular forces of Sana and Aden erupted on 17 October—three days after the cease-fire—at several strategic border locations. Another cease-fire agreement was announced the next day. Charges and countercharges of aggression continue to be exchanged between Sana and Aden, with both governments contending their armies are taking only defensive measures.



Cease-fire or No



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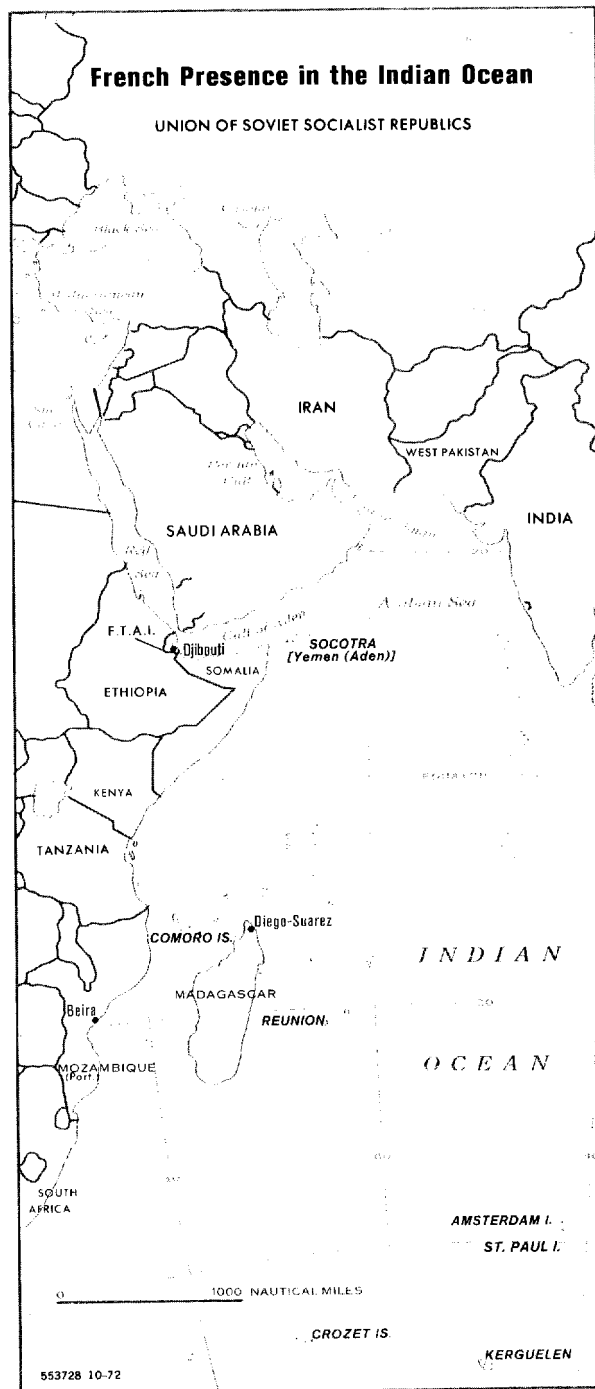
SECRET**FRANCE: INDIAN OCEAN POWER** (76-83)

[The French Navy is the principal vehicle used by Paris to demonstrate support for French interests off the east African coast. During the past several months, the French Navy has tripled its destroyer force in the Indian Ocean and Arabian Sea. The navy normally kept a squadron of two destroyers, four minesweepers, and one support ship there. An additional four destroyers—one with guided missiles—and two support ships arrived early this year for a stay of some three months. These ships have not returned, and Defense Minister Debre says that this force level will be maintained permanently. Two additional destroyers were in the Indian Ocean area from April to September.

French ships in the Indian Ocean area usually operate out of the principal French naval base at Diego Suarez. The French also have some 1,800 ground troops and a small air force contingent stationed on Madagascar. The political turmoil in that country has weakened its relationship with France, but Paris has taken steps to preserve its military position and particularly its use of the Diego Suarez naval base.

The other major French base in the area is located at Djibouti in the French Territory of the Afars and Issas at the entrance to the Red Sea. The naval contingent stationed there—usually three minesweepers—is small, and French military dispositions are directed toward defense of the territory from land attack. Some 4,000 French ground troops and an air force contingent are stationed in the territory. The importance of the territory to France is being re-emphasized by an upgrading of military equipment, the intention to station a squadron of F-100 fighter aircraft there in the near future, and the planned visit of President Pompidou in January.

France has a number of smaller possessions in the Indian Ocean. The Comoro Islands and Reunion Island, both near Madagascar, are of greater political than military significance, although the French have a few hundred troops in both places. France also owns several groups of

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islands in the southern Indian Ocean—principally the Kerguelen Islands—which house scientific establishments, but France maintains no military installations on them.

Paris places considerable importance on the Indian Ocean area and views cooperation with other countries as essential to preserving its own and Western interests.

clearing Chittagong port of sunken vessels. Canadian aid is mostly foodgrains.

94 / The transport network, which sustained serious damage during the war, is beginning to function again. The ports have been almost completely restored to operation, as has road transport despite the fact that there are still about one fourth fewer trucks now than before the war. Rail transport is still only about 40 percent of the prewar level because of damage to bridges, rolling stock, and signaling equipment, but river craft have to some extent supplanted rail traffic, especially in moving imports upcountry from the ports.

BANGLADESH: ECONOMY RECOVERS

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The economy is slowly returning to normal, thanks mainly to massive foreign aid and a large UN staff whose efforts averted serious foodgrain shortages. Exports are rising, and because imports are mostly aid-financed, Bangladesh has accumulated \$150 million in foreign exchange reserves. Nonetheless, the government needs about a half billion dollars worth of foreign aid for development this fiscal year. Bureaucratic ineptness and corruption have diluted the effectiveness of many government programs, and nationalization of jute mills, factories, banks, insurance companies, and some tea plantations has hampered recovery because of the lack of experienced managers.

94 Bangladesh has received about one billion dollars in aid since independence, much of it through the UN mission in Dacca. UN experts have helped estimate aid requirements, arrange delivery schedules, and charter river vessels to move imports upcountry. India has given 800,000 tons of foodgrains, transport equipment, money for refugee resettlement, a \$13 million foreign exchange loan, and has helped to repair damaged bridges. The US has given 800,000 tons of foodgrains, 75,000 tons of edible oil, and resumed aid projects suspended during the independence struggle. Soviet development projects include a thermal power plant, an electrical equipment factory, and radio transmitters. The Soviets also gave some food and transport equipment and are

94 The jute crop just harvested is about equal to prewar production, and most jute mills are open. The industry as a whole is operating at about 75 percent of capacity. Jute exports are rising as the foreign buyers who were forced to buy from India last year have resumed purchases in Bangladesh, which underprices Indian products by a substantial margin. Because of exchange disparities, the smuggling of raw jute to India continues despite measures taken to seal the border.

94 [Tea plantations are still largely neglected. As a result, the quality of tea is lower, and production costs have risen above world prices. Until plantations are modernized, tea exports, which had been a major source of income, will require government subsidy.]

94 The total foodgrain supply, including imports of wheat, seems adequate for now, and internal distribution is better than last year because of UN efforts. Higher than normal prices for rice, which have generated occasional antigovernment demonstrations, reflect the Bengali preference for rice rather than wheat, not a shortage of foodgrains. Hoarding and profiteering exacerbated the price rise until the small fall rice harvest started reaching the market in September. The fall crop was the smallest in ten years, however, and foodgrain imports most certainly will be required even beyond next March when the UN mission is scheduled to disband.

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SOMALIA: A BIT BETTER, THANKS

97 [President Siad finds himself at the third anniversary of his military government on 21 October with a stronger grip on the reins of government and more prestige as an African leader than he has enjoyed at any time since he came to power. His regime, however, is still far from stable, as Siad continues to face high-level plotting and considerable public dissatisfaction with his policies.]

97 [During the past year, Siad has strengthened his hand at the expense of the rest of the government hierarchy. The President diluted the authority of the ruling 21-man Supreme Revolutionary Council, after he apparently had run into stiff opposition. He has begun signing decrees in his own name rather than in the name of the council.]

98 [In addition, he recently published a law providing that the president may, "where circumstances require," call a joint meeting of the council and the cabinet that will have the same authority as the council; the law also gives cabinet members the same voting rights as council members. Siad has further undercut the authority of some council members.] [The most notable victim has been vice president and army commander Samantar, who has been stripped of most of his substantive duties. Siad has] [in addition, purged large numbers of army and police officers, sending many to the USSR for lengthy periods of training.]

97 [The President also has improved his standing and that of his regime on the African continent. Last year, Siad hosted the East and Central African summit and served as one of the vice chairmen of the Organization of African Unity.] [Last month, he attracted considerable attention by mediating the latest dispute between Uganda and Tanzania, while veteran mediators such as President Kenyatta of Kenya and Emperor Haile Selassie of Ethiopia avoided direct involvement.]

97 [Siad still faces serious threats to his position. His authority remains far from absolute, and

recent power moves could easily precipitate a response by some of the more aggressive members of the council or the military. Since coming to power, Siad has been the target of several coup plots, assassination attempts, and other efforts to unseat him by his council colleagues. He also has encountered strong public opposition to his policies. His efforts to institute a form of socialism and to impose government controls on the economy have been highly unpopular with the independent-minded Somalis, especially the faithful who view socialism as incompatible with Islam. There has been considerable dissatisfaction with the regime's close ties to the USSR and the large Soviet presence in Somalia. Important tribal groups that lost influence in the government and the military since the coup strongly oppose the regime.]

98 [Siad has demonstrated his agility, and he may be able to keep his opponents off balance, at least for a while longer. The law downgrading the council limits chances that the badly divided forces opposed to Siad can muster enough votes to oust him or override his policy decisions.] [Moreover, Siad, a former army commander with important ties to the powerful National Security Service, appears to have strengthened his control of the military with the diminution of army commander Samantar's authority; Siad now countersigns all of Samantar's orders.]

97 [Siad in fact has exhibited increasing confidence in his position. He has made several trips outside the country, and earlier this year, he felt secure enough to order the execution for anti-government plotting of two former council members who had strong tribal and military ties.25X1 Following anniversary celebrations on 21 October, Siad may attempt to make further changes that would put him more firmly in control.]

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SOUTH AFRICA: TROUBLESOME CHIEF

100 [Chief Buthelezi, head of the KwaZulu bantustan, last week rejected a government scheme to consolidate the Zulus' scattered landholdings. KwaZulu now consists of several patches of land that Pretoria hopes to reduce to perhaps less than ten areas by trading off white-held land for African.]



Chief Buthelezi

100 [Buthelezi has persistently pressed for more land for his people, including the Indian Ocean port of Richards Bay, which Pretoria recently decided to develop as a white area. Without an outlet to the sea and more arable land, the Zulu chief told a white business group a few months ago, KwaZulu would remain nothing more than a "vast labor farm for white South Africa." He also cast doubt on the credibility of the government's policy of separate racial development.]

103 [The outspoken Buthelezi has become an embarrassment to the Vorster government. A few weeks ago the chief clashed with a leading white newspaper. Blasting the paper for "white paternalistic arrogance," Buthelezi told the whites that "without the sweat of the black man you could not have the wealth you wallow in." Other bantustan leaders' criticism of the government's treatment of black Africans has been much more muted, but some of these leaders have begun to echo Buthelezi's demand for more land.]

103 [The Vorster government would like to muzzle Buthelezi, but it is clearly in a quandary about what to do about him. If Pretoria tries to silence him, it will undermine the government's claim that it is willing to allow blacks equal rights in their own areas. If the government lets the chief go on, other bantustan leaders are bound to become more vocal, thus antagonizing the ruling National Party's own white supporters.]

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GHANA: CREDITORS RELENT

[Representatives of Ghana's non-Communist creditors—the UK, several West European countries, the US, and Japan—have prepared a liberal debt rescheduling proposal that they hope will bring Accra into serious negotiations. The proposal stresses the creditors' willingness to help Ghana raise its economic growth rate and improve the country's capacity to pay its debts. The creditor nations acknowledged that increased foreign aid and self-help measures are essential if Ghana is to overcome its economic problems. Although this proposal has not yet received the official approval of the ten creditor governments, the World Bank should be able to transmit the proposal to Accra on behalf of the creditors by the end of this month.]

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The creditors' terms are more generous than any previously offered. They represent modifications of conditions unilaterally set by Accra last February. Accra proposed a grace period of ten years, a 40-year repayment period, and no interest. The creditors now are willing to grant a five-year grace period, a 15-year repayment period, and an interest rate of 2.5 percent. Moreover, the rescheduling would be applied only to those Nkrumah era debts that are repayable after 1 July 1972; this covers the major portion of Ghana's outstanding medium-term debt.

If Accra continues its economic improvement programs and responds favorably to overtures for debt negotiations, several creditors are prepared to furnish new economic aid. The US, the UK, and West Germany are the most likely sources of such aid. France also may resurrect a previously announced but unsigned aid package.

It is uncertain how Ghanaian officials will react to the offer. Frustration has been building over the lack of movement on this and other problems Ghana has with the West. Younger military officers particularly have been pressing for a more nationalistic approach to Ghana's economic problems.

TURKEY: POLITICS AGAIN

The tempo of political life is quickening as leading politicians begin to look toward national elections a year from now. In the process, they seem to be neglecting the reform legislation regarded by many, probably including the military command, as a precondition for those elections.

Former prime minister Demirel, in particular, has been barnstorming in search of popular support and preparing for the Justice Party's national congress, scheduled to open

today. Demirel reportedly is extremely confident, both of his position in the party and of the party's popularity in Turkey as a whole. He probably is correct on both counts. Nevertheless, indications are growing that Demirel is unacceptable to the military command and to President Sunay. Demirel might not be appointed prime minister again, even if the Justice Party wins the elections.

Meanwhile, Prime Minister Melen held talks with the leaders of each of Turkey's major political parties during the past week. Melen is said to have urged political leaders to iron out their differences over reform legislation—particularly the establishment of security courts and the institution of land reform and electoral reform measures. He may also have taken the opportunity to remind party leaders that, as long as these major reforms languish, conditions for the full return of democracy will not have been met. Although the party leaders agreed to do their best, it will be difficult for Melen to distract them from the more enjoyable game of politics.

Rumors continue to circulate that the days of the Melen government are numbered. Although the military command is undoubtedly impatient with the slow pace of reform legislation, Chief of Staff Gurler delivered a public vote of confidence in Melen on 14 October. Indeed, many politicians and the military command seem to agree that Melen's fall should be avoided at this time—if for no other reason than the difficulty of finding an acceptable successor.

Nonetheless, over the longer term, lack of progress on reform legislation and Demirel's unacceptability to the military leadership could combine to produce another showdown between the military and the politicians. This could entail postponement of the elections, or the refusal of the military to recognize the results should Demirel's party win.

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CHILE: INCONCLUSIVE SHOWDOWN

The successful truckers' strike that erupted last week caught both the government and most of its opponents unaware. Business and professional groups that had been hoping to provoke a military coup quickly joined the mushrooming protest. Opposition political leaders, though resentful at having been ignored in planning the shutdowns, had no choice but to come out in strong support.

The widespread stoppages have accelerated the economic deterioration that is President Allende's severest problem. The government's quick response and the armed forces' efficient discharge of their responsibilities under the state of emergency declared on 14 October kept the situation largely under control. There has been no serious violence yet, despite exaggerated press accounts and numerous attempts at incitement, probably by extremists on the right. Extremists on the left are spoiling for a fight, but have thus far been reined in by Allende and his more moderate advisers. The President is determined not to let the left provoke the armed forces. He wants to make certain that the opposition gets all the blame for disturbances and economic disruptions. He has alternated between firmness and shrill accusations on the one hand and frequent attempts at negotiation and even a few concessions on the other.

The surprisingly broad if uncoordinated nature of the protest appears to result from a desire by many Chileans to demonstrate forcefully their political and economic dissatisfaction.

Those dependent on private business or the professions probably joined in because they share the feeling that if the government is not challenged now, what remains of the private sector will be whittled away to nothing. There is little evidence that the events of the past week have made inroads among the group that supported Allende when the strike broke out. Measures taken by the government as a result of the protest have extended the government's economic control, but Allende may still decide the situation calls for some pragmatic moderation of his policies. The uncharacteristic reluctance of Christian Democratic leaders to respond thus far to Allende's overtures toward negotiations indicates that they do not wish to run the political risk of appearing to weaken a firm opposition stance.

Protest leaders, taken aback by the snowballing stoppages, appear uncertain what to do next. They seem to hope that army chief General Prats will finally be driven to move against the government. Prats, however, has not wavered in his determination to maintain order even though he cannot be unaware that this identifies the armed services more closely with the administration. His dedication to constitutional responsibilities has thus far had the effect that he—and apparently other military chiefs—desires: The establishment of a strong sense of the institutional role of both the armed services and the national police.

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Rioting in Santiago



SECRET**URUGUAY: MILITARY IN NEW ROLE**

114 [The armed forces, which have held the spotlight since they began their successful repression of the Tupamaros last April, show signs of wanting to expand their role beyond security operations. Breaking out of 70 years of political anonymity, the military in recent months has been pressing for the elimination of corruption and of "subversive" influence in education, labor, and in the Congress.]

110 [Military leaders are particularly insistent that President Bordaberry wipe out corruption in business and political circles. Last month at the annual commemoration of the death of Uruguayan hero Jose Artigas, military spokesman General Jaime branded illegal money changers, usurers, smugglers, and speculators as "enemies of the republic," and concluded that the battle against subversion will not end until the nation "removes the causes of violence."]

press illicit economic activities, which has four military officers among its seven directors. In recent months, military-led operations have ranged from crushing a counterfeiting ring to arresting a number of prominent businessmen charged with illegal foreign exchange operations. The military is also investigating the economic activities of a number of politicians, including the business dealings of pro-administration political leader Jorge Batlle.]

**General Jaime**

114 [The new national security law, which gives the armed forces jurisdiction over civilians, has resulted in a greatly enlarged military judiciary. Although the judges have been mainly engaged in processing the large number of cases involving imprisoned subversives, they have also recently accepted legal jurisdiction over student protesters at the National University. Further afield, military judges have processed cases involving economic abuses.]

113 [Military concerns and interests have not yet coalesced into a monolithic military political policy, as few officers seem eager to accept direct responsibility for Uruguay's many problems.]

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25X1 [redacted] army commander Esteban Cristi, General Cristi himself is rumored to be maneuvering for greater power. Earlier this year Cristi, acting in concert with other military leaders, persuaded President Bordaberry to remove his defense minister, and he now seems to be unhappy with the current defense minister.]

114 [In response to military pressure, President Bordaberry has revived the commission to sup-

114 [redacted] it appears that a military takeover of civilian institutions is no more than a possibility. At the same time, the military's new political influence is here to stay. It will force President Bordaberry to act more aggressively against persons involved in illegal economic activities if he is to retain the undivided support of his military chiefs. [redacted]

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COLOMBIA: PRESIDENTIAL POLITICS

122 The Liberal Party convention this week significantly strengthened the party internally and edged Carlos Lleras Restrepo, leader of the "dissident" faction, closer to the party's presidential nomination. Lleras' call for the party to rally behind a single leader as the December nominating convention approaches won unanimous endorsement, and Lleras himself was elected party president. This step toward unifying the deeply divided party enhances the stature not only of Lleras, but also of his "dissident" colleague, Alfonso Lopez Michelsen.

116 The leader of the weakened "official" faction of the Liberals, Julio Cesar Turbay, made it possible for the single-leader proposal to be adopted unanimously by instructing his own supporters to abandon his counter-proposal for plural leadership. Turbay's "magnanimous" move in favor of party unity—sufficient strength to carry his plural leadership proposal failed to materialize—is an attempt to enhance his image as a statesman. Turbay hopes that the party will be unable to decide between Lleras and Lopez in December and will turn to him as a compromise nominee. The Liberals' new found unity, however, makes this increasingly unlikely.



Carlos Lleras Restrepo

117 The Conservative Party, smaller in size and electoral strength than the Liberals, finds the signs of Liberal unification discouraging. President Pastrana and his Conservative colleagues in the administration have countered with a subtle campaign to improve Lopez' stock among the Liberals in an effort to keep them divided.

112 Serious new divisions are appearing within the main body of the Conservatives. Alvaro Gomez Hurtado, an announced Conservative candidate for the 1974 presidential election, has been hurt by the formal reincorporation of the so-called "popular" Conservatives into the party. In returning, the "popular" faction has thrown its support behind Gomez' only serious rival for the nomination—Mariano Ospina Perez. Ospina's strength has been his willingness to deal with Lleras to effect a continuation of the Liberal-Conservative coalition that has been the basis of the present National Front. The new strength of Lleras' position within the Liberals, however, has eroded his interest in cooperating with Ospina.

121 The Conservative Party has also been successful in attracting to its ranks a number of essentially Conservative figures from Gustavo Rojas Pinilla's National Popular Alliance since its resounding defeat in local elections in April. This process has been reinforced by the Liberals' apparent unification. Still recoiling from its April defeat, the National Popular Alliance has been further shaken by the defection of at least 17 legislators who have formed a small party of their own. Rojas Pinilla has restructured his organization to reflect these changes and to mount a last-ditch struggle for some degree of power. Rojas' advanced age and his awareness that his party's legislative and electoral strength has been reduced almost fatally will probably oblige him to make a deal with the Conservatives. The Conservatives are likely to welcome such cooperation as long as the Liberals—and Lleras in particular—continue to grow stronger.

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Commonwealth Caribbean Conference AN EXERCISE IN FUTILITY

123 [Prime Minister Burnham of Guyana is expected to open bilateral talks with Cuba soon to establish diplomatic relations. The governments of Jamaica, Trinidad and Tobago, and Barbados may be slow to follow this lead.]

123 [The opening toward Havana was the most important result of the seventh conference of the 13 Commonwealth Caribbean heads of government that met in Port-of-Spain, Trinidad, from 9 to 14 October. Burnham undoubtedly provided the impetus for the announcement at the end of the meeting that four members—Guyana, Jamaica, Trinidad and Tobago, and Barbados—would exercise their “sovereign rights” to seek “the early establishment of relations with Cuba whether economic or diplomatic or both.” Although the other nine territories may have supported the announcement, they were prevented from adding their endorsement because their foreign affairs are handled by the British.]

125 [Jamaica, concerned with maintaining its third-world image and protecting nearly 20,000 Jamaican citizens in Cuba, may eventually open a consulate in Cuba. Jamaican commercial relations with Cuba are handled by the British, even though Havana has a consulate in Kingston. There are no significant pressures in Barbados or Trinidad and Tobago to recognize or trade with the Castro government, and they are likely to procrastinate, at least “until the timing is right.” Havana has not yet reacted officially to the announcement, but undoubtedly is pleased, even though Burnham probably will prefer to establish relations on a non-resident basis.]

125 [The conferees apparently went to great lengths to project an aura of harmony and cooperation.] Agreement apparently was reached that a Caribbean Common Market would be established in May 1973. The common market presumably will incorporate and expand upon the functions of the four-year-old Caribbean Free Trade

Association, which has proven to be relatively viable. The newly proposed common market, however, appears to be a dubious and hastily conceived venture. It probably will not take form by next May simply because there are no indications that the individual states are yet willing to give more than they take.]

123 [The possibility of a federated state was again discussed, and the attorneys general of the members were given the job of looking into the idea of establishing a political “Caribbean community.” The area still suffers from the same lack of willingness to cooperate that sealed the fate of two previous attempts—the West Indies Federation from 1958 to 1964 and the “Declaration of Grenada,” last year, which never passed the talking stage.]

123 [In the meantime, representatives of the 13 members—the four independent governments of Guyana, Jamaica, Trinidad and Tobago, and Barbados; the six British Associated States; and British Honduras, Bermuda, and the Bahama Islands—will be named to a standing committee to deal with matters of common interest in foreign policy. It was also agreed that the University of the West Indies would continue as a regional institution until 1981.]

125 [On the surface it would appear that the conference was successful and accomplished a great deal; in reality it did little more than heighten expectations and probably exacerbated current regional problems. Future developments will probably follow the pattern of the past: regional jealousies and insular attitudes will come to the fore; many of the participants will begin to question the soundness of their commitments and in the end the agreements everyone thought had been secured will begin to fade and fail to be implemented.]

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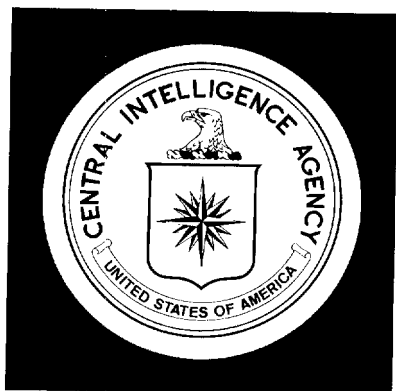
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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

Pompidou: The Presidential Tightrope

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Pompidou:

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Tightrope

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Despite the turmoil and troubles of 1968 and 1969—the student and labor crisis, legislative elections, pressures on the franc, defeat in a referendum and, finally, De Gaulle's resignation—Georges Pompidou still had a considerable number of assets when he took over the presidency of the Fifth Republic in June 1969. Not the least of these was a quarter century of close association with De Gaulle, culminating in six years as the General's prime minister. From that vantage point, Pompidou watched De Gaulle shape, interpret, and expand the powers of the presidency—decisively shifting the balance of political power from the Palais Bourbon to the Elysee. He had developed strong ties with the Gaullist party and emerged as the unofficial

majority leader in the National Assembly after De Gaulle removed him from the cabinet.

That majority—the Gaullists and their Independent Republican allies control almost three fourths of the assembly votes—was another decided plus. So was the state of the opposition parties. Still reeling from the shock of their massive losses in the 1968 elections, they were divided internally and from one another. Finally, Pompidou had good reason to assume that France, tired of strife and confusion and perhaps even of De Gaulle's constant strivings for *grandeur et gloire*, was more than ready for a good dose of tranquility.

A New Approach

Immediately on coming to power, Pompidou set out to deal decisively with the most pressing problems confronting the government. First and foremost was the economy, which was still suffering from the effects of the May 1968 crisis. Massive capital outflows, a large foreign trade deficit, and extremely heavy speculation against the franc threatened to deplete official French reserves despite economic restrictions imposed in the fall of 1968. Pompidou devalued the franc in August 1969 and launched a "recovery" program that included tighter controls over credit and foreign exchange. The October revaluation of the German mark removed speculative pressures against the franc, and the resulting turnabout in the French trade-and-payments position permitted Pompidou to turn to other nagging problems. In a bold effort to repair the government's relations with labor and the unions, he had his prime minister, Jacques Chaban-Delmas, launch an imaginative policy of consultation with labor and management. Coupled to it was a comprehensive reform program, the "new society." The reforms were designed to improve the social and economic climate and to promote cooperation among various sectors of the economy. On the student front, Pompidou pursued reforms instituted under De Gaulle which, among other things, gave greater autonomy and power to individual universities and established councils intended to draw students more closely into



Pompidou at Inauguration

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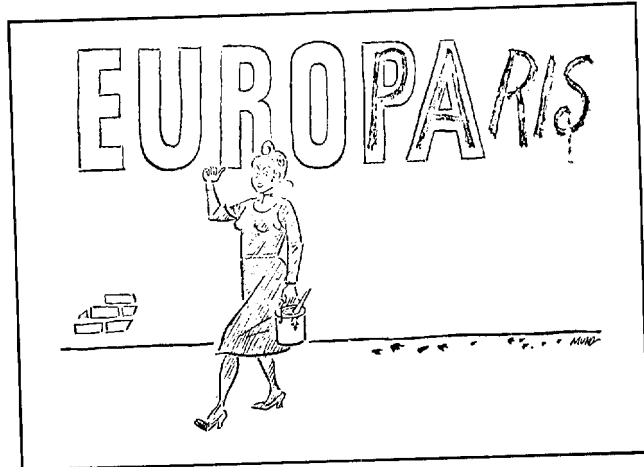
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university life. The reforms, coupled later with tough new police powers, brought a measure of calm to the student community.

In the first several years of his tenure Pompidou did deal effectively with domestic problems and proved equally adept in foreign policy. For the most part, the new president followed the broad lines laid down by De Gaulle: detente with the USSR and Eastern Europe; a continued French presence in Africa; cultivation of good relations with China; and a search for a French role in the Middle East. He echoed the General's theme that national independence and freedom of action were desirable; that big power hegemony, supranationalism, and military integration should be resisted; and that an independent French nuclear force was vital. But, as he had promised in his election campaign, "continuity" was coupled with "change."

The first changes came in the general area of European integration—specifically in the enlargement and strengthening of the European Communities. At The Hague summit of the Six in December 1969, Pompidou in effect lifted the French veto on British entry into the Communities, and the Six reached an informal agreement to begin talking with the applicants. It soon became clear that the direction of his diplomacy was toward Europe and some speculated that Pompidou, in an effort to move out from under De Gaulle's giant shadow, was after the title "Europe's master builder." Realizing that German Chancellor Brandt's Ostpolitik threatened to eclipse France's claim to European leadership, Pompidou hoped to bring Britain into the EC so that the weight of Paris and London could be used in any eventual dispute with Bonn. Following the summit meeting between Pompidou and Prime Minister Heath in mid-1971, the Six reached agreement on terms of entry, and the years of strain between Paris and London stimulated by De Gaulle's vetoes of British membership appeared at an end.

At the same time, Pompidou began slowly and carefully to define a policy for the evolution of the EC into a confederation of states which



would constitute a "third force" in world affairs. This Europe would, in French eyes, cooperate in economic, monetary, scientific and technical affairs, but unity would stop far short of a supranational European government. The confederation Pompidou envisaged would act independently of outside pressure, whether from the US or USSR.

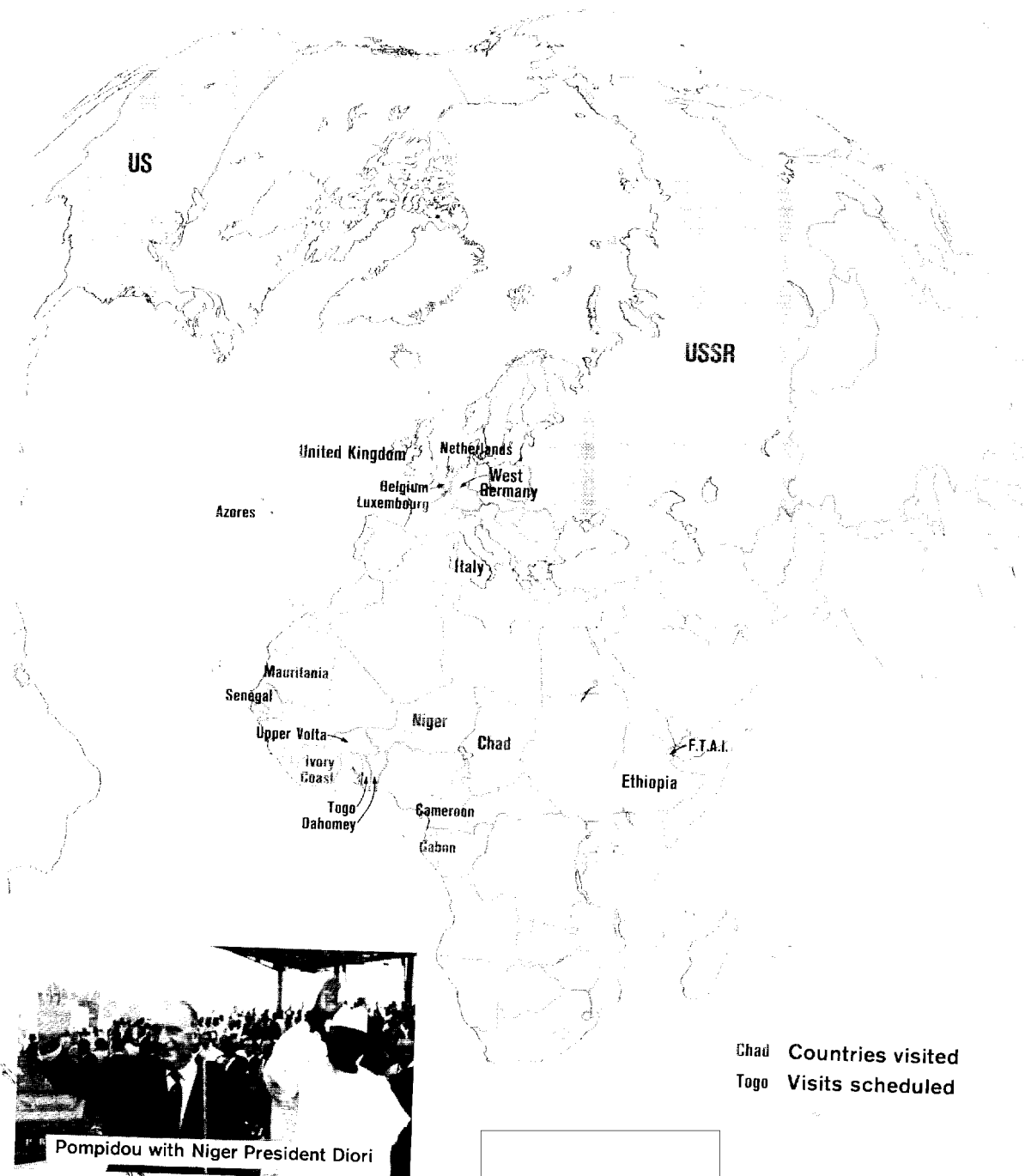
Good relations with Bonn, a continued emphasis on the "special relationship" with Moscow, and support for East-West detente were part and parcel of the impulse toward Europe. Semi-annual consultations with West Germany became a feature of French policy, and if the two countries did not always agree—as frequently they did not—compromises usually emerged and differences were minimized. Both recognized that amicable Franco-German relations lay at the heart of any genuine European reconciliation, and the Germans were not very assertive. Pompidou's week-long trip to Moscow in October 1970 was a symbolic reaffirmation of old ties, even though the only tangible result was a protocol regularizing political consultations. Pompidou continued to push toward detente by expanding cultural, economic and technical cooperation with many of the East European countries. In early 1971, the French launched a diplomatic campaign for the long-proposed Conference on European Security and Cooperation—a forum in which Pompidou hoped France could play a leading

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Countries Visited by French President Pompidou



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role. As part of a delicate balancing act between East and West, Pompidou also traveled to the US, the first official visit by a French chief of state in a decade.

While he sought to modify and refine Gaullist policy in Europe, Pompidou also devoted considerable effort to cultivating the Arab world. Believing that France had a natural role to play in the Mediterranean, he seemed intent on extending French influence throughout the area. One result was an expansion of French arms sales and stronger political, economic, and cultural ties with the Arabs. Africa, too, came in for a share of his attention. Pompidou made clear that he intended to adhere to De Gaulle's basic policy of maintaining close relations with the former French colonies and of giving these states economic and technical aid.

Successes, but

There were minor setbacks on the domestic and foreign policy fronts during Pompidou's first years in office, but no major ones. The government continued its mediating and conciliating role with labor and legislated additional benefits and rights for the workers. Sporadic student protests did occur, but real militant zeal was lacking. Radical student groups, fragmented and bedeviled by new and stringent laws and increased surveillance, were unable to rally moderates to revolutionary activity. Although there were problem areas in the economy—the most vexing were chronic inflation and rising unemployment—the economy at the end of 1971, basically was in good shape.

There were also irritations in foreign affairs and, in some cases, these gave the French cause for concern. Certain fears continued to haunt the French president: that the two superpowers would make arrangements vitally affecting Europe without consultation or participation of those concerned; that Bonn would outdistance Paris in the race for European leadership; that the EC would develop along lines repugnant to Pompidou. On the whole, however, De Gaulle's protege could after two-and-a-half years count himself a worthy successor—a leader who in a

very pragmatic fashion made the most of France's assets and who exerted an influence disproportionate to the country's limited power.

Harbingers of Trouble

Although at the end of 1971 Pompidou had reason to be content, several specific and related developments that year, not alarming in themselves, were in fact a portent of problems that would emerge in 1972. First was the Gaullist party itself, the Union of Democrats for the Republic. The departure of the General hastened the evolution of Gaullism toward a loose federation of forces on the center and right. Pompidou seemed convinced that emphasis on Gaullist "purity" without De Gaulle would eventually result in a serious loss of popular support and a corresponding improvement in the fortunes of the left. He played it down the middle, holding the party open to cooperation with the non-Communists while continuing heavy stress on Gaullist objectives of order and progress.

Many staunch Gaullists were concerned that the mystique and unity of the De Gaulle years were being lost. In the early months of Pompidou's tenure, the party was troubled by minor rebellion and disaffection. Several small factions formed within the party, the most notable of which was a parliamentary group of right-wing loyalists calling itself the Presence and Action of Gaullism. It did not amount to much, and little was heard from this or other dissident groups in 1970. Pompidou was adroit in balancing innovations with statements of renewed commitment to the basic tenets of Gaullism. Perhaps more important, De Gaulle was out and Pompidou was in, and most Gaullists knew on which side their bread was buttered.

By 1971, signs of restlessness and discontent had begun to re-emerge. In February, two of De Gaulle's old associates resigned from the party. Although not so stated, their clear intent was to protest the breadth and flexibility of Pompidou's politics. The secretary general of the party, Rene Tomasini, publicly aired his grievances with Prime Minister Chaban-Delmas over some of his policies

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...by temperament, I am rather nice. I like to give pleasure, I don't like to give pain. I remember the advice General de Gaulle gave me at least 10 times. "Be tough, Pompidou." I try but it is hard and I suffer from it.

and decried the government's new liberalism in judicial and media affairs. At the annual party conference in September 1971, some of the younger elements demanded that the assembly be permitted a larger part in determining government policy. Although Chaban-Delmas agreed to increased consultations, the deputies remained skeptical that it would be meaningful.

The strains within the party were exacerbated by a seemingly endless succession of scandals throughout 1971. By the end of the year, nine cases of fraud, abuse of public confidence, influence peddling, extortion, outright theft or a combination of these had been revealed. The common thread running through the scandals was a connection between the accused—and in some cases the convicted—wrongdoers and members of the Gaullist political movement. Although widespread corruption within the government or the movement was not proved, the scandals, did foster the impression of an unwholesome relationship between power and big money in the Pompidou government. Some scandals were brought to light by the press; Finance Minister Valery Giscard d'Estaing was instrumental in exposing others. On the surface, his actions permitted the government to claim that it had nothing to hide and was in fact taking concrete steps to deal with wrongdoers. Many Gaullists felt, however, that Giscard—who has presidential ambitions—wanted only to disassociate himself and his Independent Republican party from the alleged sins of the Gaullists.

Troubled by nagging dissidence on the right and tainted by the scandals, the Gaullists had still another problem on their hands: the energetic and innovative Jacques Chaban-Delmas. The prime minister was personally responsible for many of the reforms which had contributed so

greatly to labor peace, and he forged the close links with the centrists, but orthodox Gaullists found him far too liberal. Some in Pompidou's own entourage were unhappy with the free-wheeling prime minister, and there were occasional clashes between the president and his supposed right-hand man. Rumors abounded in 1971 that Chaban-Delmas was on the way out.

L'Affaire Chaban

In early February 1971, the muck-rakers at *Le Canard Enchaîné* published what they called facsimiles of Chaban-Delmas' tax returns, alleging that the prime minister had paid little or no income tax for the years 1967-70. Chaban had committed no crime; he had merely taken advantage of an extremely complex tax system which favors the wealthy. Still, *Le Canard's* revelation brought to the surface a lot of simmering discontent. Chaban-Delmas was spirited in defense of his conduct on nationwide television, and Giscard d'Estaing later took to the air both to back the prime minister's claim of innocence and to promise reform of the tax system. These appearances restored a measure of confidence in Chaban-Delmas. But it appeared to the average Frenchman that Gaullist morality, after 11 corruption-free years under De Gaulle, was decaying, and this left a bad taste in the mouth. Those who had earlier clamored for the prime minister's scalp now had a genuine argument: not only had Chaban-Delmas been unable to control corruption flourishing under his regime, he himself had slightly dirty hands. No action was taken at that point, however, and in May he and his program were accorded an overwhelming vote of confidence in the National Assembly.

The Referendum

As *L'affaire Chaban* bubbled and simmered, Pompidou resorted to a favorite De Gaulle device—the referendum—to divert attention from the government's domestic shortcomings and to focus it on the popular issue of enlargement of the Communities. The proposal to expand the EC enjoyed widespread support in France, with polls showing well over 60 percent in favor. The wider

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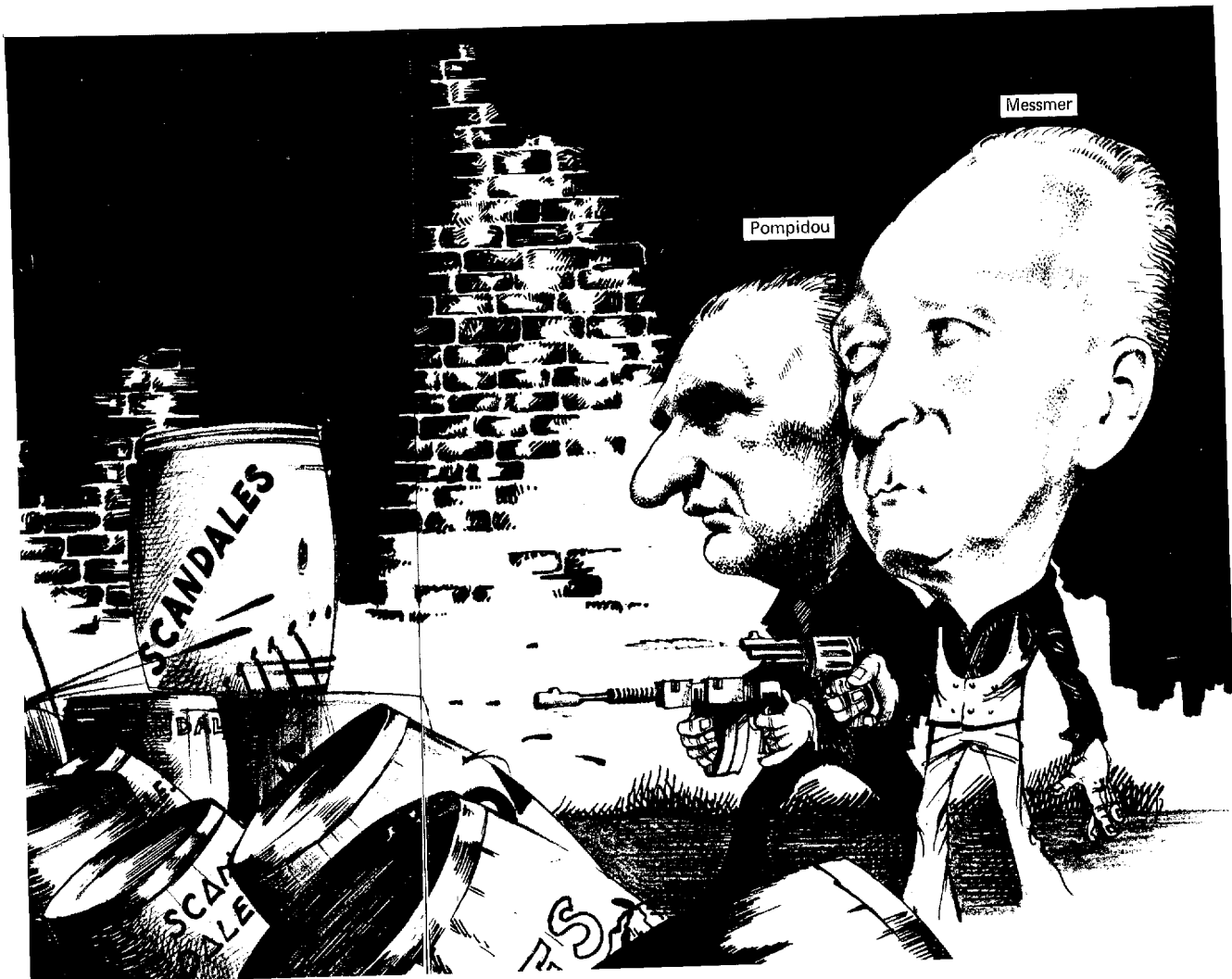
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issue inherent in the referendum was public support for Pompidou's overall European policy. As Pompidou doubtless intended, the left opposition, long at odds over the Communities, was caught flat-footed. Despite these assets, he was disappointed. He failed to gain the massive endorsement he so vigorously sought. The abstention rate, at 39 percent the highest in any election or referendum since 1946, was particularly worrisome. Did the abstentions reflect public apathy on an issue already regarded as settled, or did

they reflect a protest vote from Frenchmen who ordinarily supported the Gaullists?

Although the opposition parties found it difficult to exploit the government predicament, Pompidou in effect became his own worst enemy. Rather than let the matter fade quietly away, he magnified the setback and went on the defensive. The referendum results, in his eyes, deprived him of the endorsement he sought as "Mr. Europe" and weakened France's claim to European

"The Incorruptibles"



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leadership only months before a summit meeting of the enlarged EC was to take place in Paris. Then, too, perhaps Pompidou felt the setback all the more keenly because the referendum tactic had, with one exception, worked so beautifully for De Gaulle.

Referendum Consequences: The Summit

Pompidou apparently interpreted the high abstention rate as stemming in part from the abstention of orthodox Gaullists, who long had opposed certain aspects of his European policy. To bring the lost sheep back into the fold and to make clear at home and abroad that France still had some clout in Europe, Pompidou threatened to withdraw his invitation to host the summit unless his Community partners could convince him that solid achievements would result. This attempt to have his own way at the summit drew a strong negative reaction. In a series of meetings with the Italians, British, and Germans in July and August, the French sought to clarify their position and win over their partners. The explanations were not entirely successful, but the groundwork was laid in September for modest advances toward monetary union, a key French desire. The issue of a political secretariat, which Pompidou insisted must be located in Paris, was put aside, and France's partners agreed to forgo pressing for strengthened EC institutional arrangements at the summit. Although Pompidou got only a part of what he wanted, he agreed in the end to proceed with the summit.

Referendum Consequences: Cabinet Shake-up

The referendum, coming on top of *l'affaire Chaban*, continuing scandals and new unity on the left, was the straw that broke Chaban-Delmas' back. Right-wing Gaullists argued, convincingly, that his alleged failure to deliver the vote of pro-European centrists in the referendum boded ill for his ability to deliver those same votes in the parliamentary elections next year. Pompidou fired Chaban-Delmas in early July and picked a Gaullist purist, Pierre Messmer, to become the prime minister. The move was meant to placate



Messmer and Chaban-Delmas

hard-line Gaullists and to unite bickering party factions before the elections. Messmer, who served as De Gaulle's defense minister from 1960 until 1969 and was later appointed minister of state for overseas departments and territories, has long had strong ties with the Gaullist right wing. Messmer's cabinet appointments were clearly weighted in favor of orthodox Gaullists, although the current line-up does have some centrists and Independent Republicans. Five of the newly appointed officials belong to the arch-Gaullist parliamentary group, Presence and Action of Gaullism.

The Opposition Strikes

The backing and filling in the government camp was tailor-made for the left, which seized on it eagerly. Eight days before Pompidou announced the cabinet shake-up, Communist and Socialist leaders hammered out a "joint program for governing" which their party executive bodies separately approved. The groundwork for the joint program had been laid in June 1971, when new Socialist secretary general Francois Mitterrand pressed his party to open a dialogue with the Communists. Informal exchanges began shortly thereafter, and formal talks were initiated in the spring of 1972. Efforts to form a united left have been a recurring feature of French politics, but

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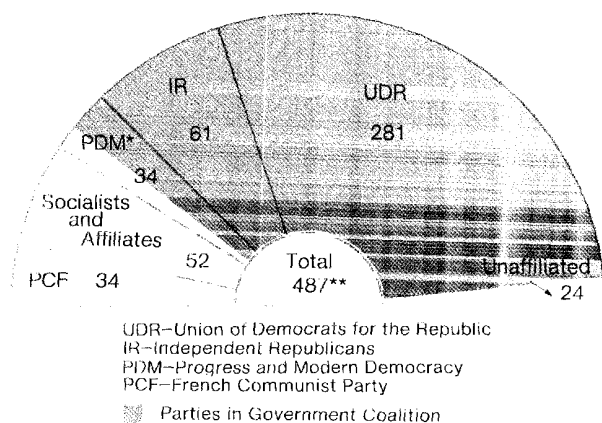
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during the De Gaulle years the two major leftist groups could agree only on temporary election alliances. The new accord, which sets forth detailed guidelines for change that a leftist government would follow, represents an important step forward in cooperation. The accord promises that a government of the left, would nationalize, among other things, an even greater share of French industry and financial institutions, freeze France's nuclear program at its current level, restrict the powers and term of the president, and grant major benefits to workers. The Communists in particular made important concessions to get the accord, notably in agreeing that a leftist government would resign if defeated in the parliament on two successive occasions and in accepting France's ties with NATO and the EC.

The accord papers over substantial differences on a number of key issues. Nonetheless, it clearly places the parties in a stronger position to face elections, makes their claim to represent a workable alternative to the present government more credible, and adds to the woes of a government that seemed in such good shape a scant six months earlier.

Party Strength in the National Assembly as of June 1972

Elected June 1968



*Some in the PDM are considered part of the government coalition.

**One seat in the Assembly is presently vacant.

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Outlook

The elections make the next four or five months critical for Pompidou. No one expected, even in the halcyon days of 1970 and 1971, that the Gaullists and their allies could retain the same massive parliamentary majority. Further, as matters stand now, the government cannot, as it did after the 1968 trouble, play on the "me-or-chaos" theme and raise, convincingly, the specter of a Communist take-over. Nonetheless, the Gaullists had hoped that, in cooperation with the Independent Republicans and other centrists, a slim majority could be wrung out of the electorate. Whether that is still a live possibility depends on the answers to a number of complex questions.

Perhaps the most important of these questions is whether Prime Minister Messmer can restore a new sense of unity to the Gaullist party and win back public confidence. His appointment itself went far toward reassuring those who felt Pompidou was betraying basic Gaullist principles, and he will doubtless exert every effort to maintain his close ties with the orthodox segment of the party. He played to its love of the status quo by leaving ministries of defense and finance in the same hands. This appeal has to be balanced by a gesture to other elements of the Gaullist constituency. The appointment of Edgar Faure to the important new Ministry of Social Affairs symbolized the government's continuing commitment to the social and economic aspirations of the left wing of the governing coalition. To underscore that commitment, Messmer devoted his first television appearances largely to reassurances that he intends to maintain and expand Chaban-Delmas' "new society." On 6 September, Messmer and Faure unveiled a new plan for a "participatory economy" which steers a course between totalitarian socialism and traditional capitalism. Although the plan did not fully meet several of labor's principal demands, it did make a gesture in that direction. More important, it could prove attractive to millions of disadvantaged Frenchmen, all of whom are potential voters. By putting forth such a plan despite the budgetary restraints imposed by the fight against inflation, the government demonstrated a politically necessary

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concern for the social and economic well-being of its citizenry.

Another key question, also closely linked to Messmer's performance, is the extent to which the scandals will damage the government. After a lull of several months, a new scandal cropped up in late August, in which high-ranking policemen and politicians in Lyon allegedly gave protection to a flourishing prostitution ring. A Gaullist deputy, called as a material witness but not charged in the case, is widely believed to be a source of protection for those involved. An even more sensational scandal reared its head in September. Gabriel Aranda, a left-wing Gaullist who had served as a press aide to the minister of equipment and housing in the previous cabinet, threatened to expose corrupt links between business and government circles unless France immediately halted the supply of Mirage jet fighters to Libya. Pompidou came down hard on Aranda in a televised press conference on 21 September and managed to blunt his impact. Pompidou made clear that steps would be taken to allow greater public scrutiny of government affairs. Moreover, he warned that the government would not tolerate those who sought political advancement through shady practices, and promised that all Gaullist candidates would be closely scrutinized. Perhaps most effective was his recital of stories about Aranda which appear to have convinced many that the man is mentally unbalanced.

Although none of these scandals by itself would inflict heavy damage on the government, they do have a real cumulative impact. Polls in early 1972 showed that only two percent of those queried believed high-level government officials were involved, but a recent poll shows that corruption is now an issue. Rumors abound in Paris that so far only the tip of the iceberg has emerged and that more revelations may surface at any time. The government has already made a show of investigating some of the cases, and this could help weaken charges of official laxity or connivance. The recent resignation of Gaullist party secretary general Rene Tomasini, ostensibly for reasons of ill-health, may have been forced by the

Elysee because his name has been linked to several of the scandals. Like Chaban-Delmas, Tomasini's leadership had been under attack for some time, but the scandals may have tipped the balance against him. His replacement is an apostle of "pure and hard" Gaullism and will move against corruption in party circles. Nonetheless, opposition parties, particularly the Communists with their relatively clean record in municipal government, have exploited the scandals and will continue to do so.

Another key question is how well the Communist-Socialist accord will hold up. Strains have already appeared in the somewhat fragile alliance. In August, Socialist leader Mitterrand strongly criticized Moscow's policies on Czechoslovakia and Jewish emigration, thereby prompting a harsh response from Soviet Ambassador Abrasimov. The issues are touchy ones for the Communist Party, which must perform a delicate balancing act between its friends in Moscow and its new-found allies at home. The controversy convincingly demonstrated that the alliance is very much a marriage of convenience. In this case, each party put its own interests ahead of the common cause of a united left. The exigencies of the electoral contest could push the two further apart. The government has already signaled its intention to make the Communist danger a central theme in its campaign strategy.

Still another question is the state of the economy, since French elections, like others, very often turn on matters affecting the pocketbook. Although the gross national product is expected to expand at a satisfactory rate this year and the business climate has improved markedly since late 1971, there are pressing problems, the key ones being unemployment—now at a level quite high for France—and inflation. Wages are rising at a rate faster in France than in its main trading partners, and Paris could lose the competitive edge it has held since the revaluation of the franc in 1969. The government's room for maneuver is small. Pompidou does not want to abandon the high growth policy, particularly given his aspirations to match German economic power, and considerations of the election campaign dictate

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REFERENDA DURING THE FIFTH REPUBLIC

Date	Issue	YES		NO		INVALID	ABSTAINED
		Electorate %	Vote %	Electorate %	Vote %	Electorate %	Electorate %
September 1958	Constitution of Fifth Republic	66.4	79.2	17.3	20.7	1.1	15.1
January 1961	Self-determination and provisional government in Algeria	55.9	75.2	18.3	24.7	2.1	23.5
April 1962	Algerian independence and right to implement it	64.8	90.6	6.6	9.3	4.0	24.4
October 1962	Direct election of president	46.4	61.7	28.7	38.2	2.0	22.7
April 1969	Regional and Senate reform	36.7	46.8	41.7	53.2	2.2	19.4
April 1972	Enlargement of European Communities	36.2	67.9	17.1	32.0	7.1	39.4

that both unions and private industry be handled with kid gloves. In the nationalized sector, the government will shortly be put to a test when labor contracts come up for renewal. Several of the major unions, including the big Communist-dominated one, are expected to refuse to sign. Moreover, the new Faure plan, with its substantial increases in social benefits and wages, will tend to drive up prices and is strongly opposed by industry.

The final question is whether developments in foreign affairs will help or hurt the government. In general, Pompidou has continued to follow the policies he conceived early in his tenure, and the tendency is still toward Europe.

Unlike De Gaulle, who managed to pull off a number of spectacular coups in foreign affairs, Pompidou's only major departure was to lift the veto on British entry and to attempt to build Europe "a la Pompidou." Despite the hullabaloo—created almost entirely by the French President—over the summit scheduled for later this month, few Europeans expect momentous developments. Pompidou himself has already begun to play it down, saying that its greatest merit lies in the fact it is being held at all. Whatever the results, he will paint them as largely a French victory and hope that the public will forget his opening demands. Earlier polls showed that Frenchmen considered Pompidou's policy toward Europe his greatest achievement during his first

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two years in office, and he doubtless wants and needs further achievement in that arena.

Several foreign policy developments over the last eight months have not been to Pompidou's liking. President Nixon's trips to Peking and Moscow and the signing of the SALT agreement can only revive fears of the superpower syndrome he and De Gaulle have so vigorously fought. Bonn's independent actions in East-West matters and the cooperation between the British and Germans in the Communities to thwart certain French objectives are particularly disquieting. Pompidou has been unable to make any dent in the Middle East imbroglio, either via the "four power" forum or any other way. France is still on the sidelines insofar as an Indochinese settlement is concerned.

In Africa, a number of France's former colonies have been pressing for renegotiation of the 12-year-old cooperation accords with the aim of gaining greater control over their own affairs. Paris apparently has concluded that some revision is inevitable and will try to accommodate African desires without compromising its own vital interests.

None of these developments is so serious to cause a real stir at home, and most of the issues are too complex and sophisticated for the average French voter. In any event, elections in France almost always turn on bread-and-butter issues, ideological ties, and local conditions, and not on foreign policy.



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